

# UNITED KINGDOM

WORLD RANK:

7

REGIONAL RANK:

3

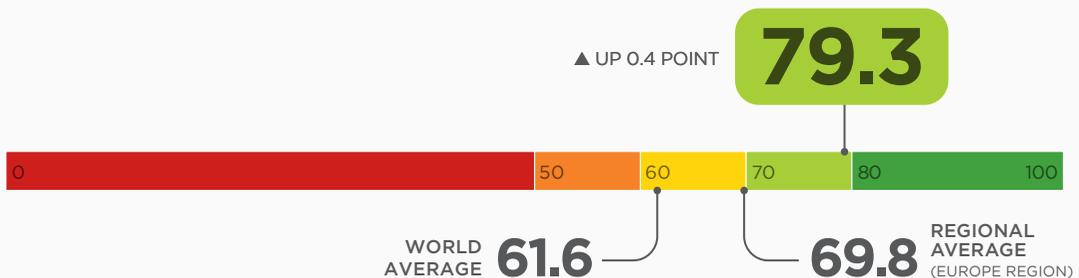
ECONOMIC FREEDOM STATUS:  
**MOSTLY FREE**

The United Kingdom's economic freedom score is 79.3, making its economy the 7th freest in the 2020 *Index*. Its overall score has increased by 0.4 point due to improvements in **government integrity** and **fiscal health**. The United Kingdom is ranked 3rd among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The economy of the United Kingdom has slowly been climbing the ranks of the mostly free for the past decade. GDP growth has been solid for the past five years but slowed in 2018 amid confusion about Brexit.

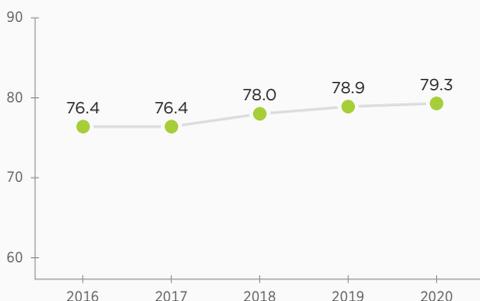
The strong majority secured by the Conservative Party in the 2019 parliamentary elections has positioned the government to move forward expeditiously with the Brexit process. Although some economic disruptions are likely, the U.K. will also have new opportunities to expand economic freedom, especially by reducing the tax burden and government spending and pursuing new trade agreements with the United States and other countries.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +1.4

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
66.5 million

**GDP (PPP):**  
\$3.0 trillion  
1.4% growth in 2018  
5-year compound  
annual growth 2.1%  
\$45,705 per capita

**UNEMPLOYMENT:**  
4.0%

**INFLATION (CPI):**  
2.5%

**FDI INFLOW:**  
\$64.5 billion

**PUBLIC DEBT:**  
86.9% of GDP

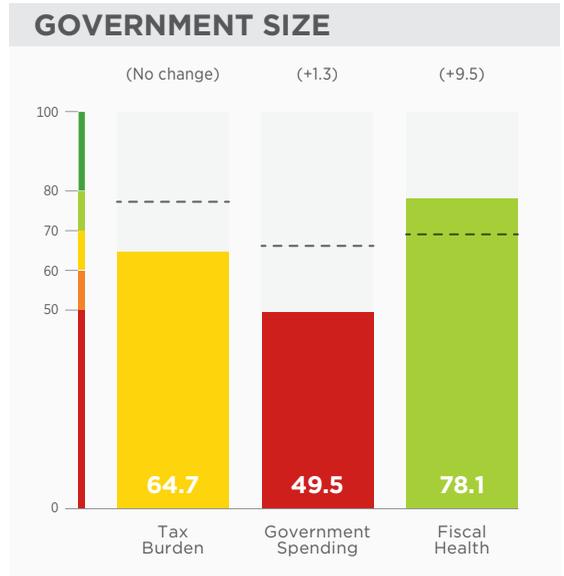
2018 data unless otherwise noted. Data compiled as of September 2019

**BACKGROUND:** Steady growth has made Britain's economy, which has thrived ever since former Prime Minister Margaret Thatcher's market reforms in the 1980s, the world's fifth largest. In 2016, the U.K. voted in a popular referendum to leave the European Union. After leading more than three years of inconclusive negotiations over the terms of the U.K.'s departure, Prime Minister Theresa May resigned and was replaced by Boris Johnson, who led the Tories to their largest electoral victory since 1987 in December elections viewed as reaffirming the government's Brexit mandate. Services, particularly banking, insurance, and business services, are key drivers of GDP growth. Large oil and natural gas reserves are declining.

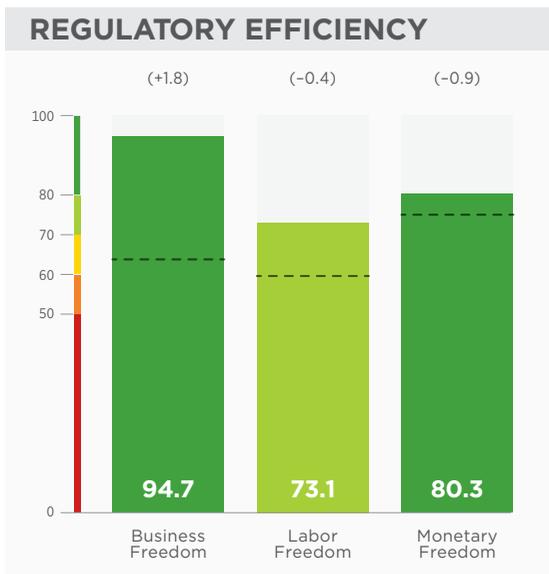
# 12 ECONOMIC FREEDOMS | UNITED KINGDOM



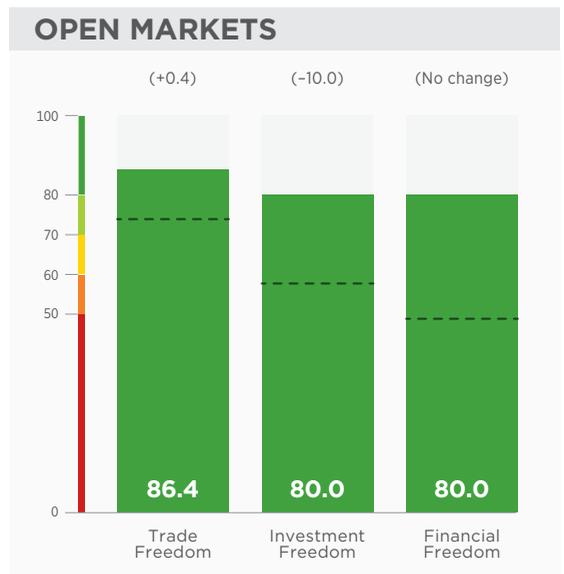
The U.K. has robust real property laws. Contracts are very secure. There is a long history of applying the rule of law fairly to business disputes. The current judicial process remains procedurally competent, fair, and reliable. Despite isolated instances of bribery and corruption, investors generally have not identified corruption of public officials as a factor in doing business in the U.K.



The top personal income tax rate is 45 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and environment taxes. The overall tax burden equals 33.3 percent of total domestic income. Government spending has amounted to 41.0 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 86.9 percent of GDP.



Legal, regulatory, and accounting systems are transparent and efficient. The legal system provides a high level of protection for businesses under a well-defined rule of law. The labor market is relatively efficient. The government maintains few price controls (for example, for utilities and some prescription drugs) and plans to emulate New Zealand's zero-agricultural subsidies model post-Brexit.



The total value of exports and imports of goods and services equals 61.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The U.K. has an additional eight country-specific nontariff barriers. The overall investment framework is efficient, but uncertainty surrounding Brexit has been an adverse factor. The sophisticated financial sector remains competitive.